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School Property Tax Control Board Meeting Minutes April 15, 2004

The monthly meeting of the School Property Tax Control Board was held on April 15, 2004. The meeting was held in the Indiana Government Center South, Conference Center Room 2, 302 West Washington Street, Indianapolis, IN 46204. Present for the meeting was Patty Bond, Chuck Nemeth, Dave Bowen, Carlyn Johnson, Melissa Henson and Teresa Hemmerle, Administrative Officer.

Minutes and Discussion: March 18, 2004 meeting minutes.

MSD of Wayne Township, Marion County: Officials requested approval of a pension bond issue in the aggregate principal amount of \$22,500,000. The tax rate impact of the bond issue is \$0.0547. The term of the bond is 20 years. The Neutrality Resolution states the Capital Projects and Bus Replacement funds will be reduced to offset the pension debt.

Present for the hearing was Terry Thompson, Superintendent; Dennis Tackitt, Business Manager; Susan Goldberg, Benefits; Rod Wilson, City Securities; Nate Day and Tom Grabill, Educational Services and Jane Herndon, Ice Miller.

Comments: The Superintendent spoke about the proposed pension bond issue. They are requesting a bond issue in the amount of \$22,500,000. The future value of the unfunded liability was calculated to be \$109 million based on the actuarial study. The amount has been cut in half through negotiations with teachers. They need the \$22,500,000 to fund the plan actuarially. This bond issue will eliminate the unfunded pension liability. Teachers with at least 15 years of experience will receive a buy out and matching annuity, those with less than 15 years receive only the matching annuity.

Ms. Johnson asked how the proposed bond issue would offset an estimated present value of the pension liability of \$61 million. The Superintendent stated it was reduced through negotiations with teachers and the assistance of their financial adviser. Mr. Grabill stated a discount rate of 2.5% was used, though interest rates on VEBA and retirement accounts would be higher.

Mr. Nemeth asked for an explanation of the 2.5% discount rate. Mr. Grabill said it is usually not known at the time the actuarial study is done if the school corporation will hold the bond proceeds or deposit them into retirement accounts. He noted school corporations are limited in their investment options and that explains the lower discount rate.

Motion: Mr. Nemeth made a motion to approve the pension bond issue in the amount of \$22,500,000. Ms. Johnson seconded the motion, which favorably carried 5 to 0.

Clinton Prairie School Corporation, Clinton County: Officials requested approval of a pension bond issue in the aggregate principal amount of \$3,950,000. The tax rate impact of the bond issue is \$0.0746. The term of the bond is 18 years. The Neutrality Resolution states the Bus Replacement fund will be reduced in 2005 to offset the debt.

Present for the hearing was Charles Fink, Superintendent; Steve Meno, Fifth Third and Jane Herndon and Andy Hollenbed, Ice Miller.

Comments: The Superintendent spoke about the proposed pension bond issue. Negotiations began in July 2003 on a new master contract agreement. The goal of school officials was to construct a new plan that would be forward funded. The actuarial study was completed by McCready & Keene. The agreement removes the retirement bridge payment that was within the old plan.

Mr. Meno stated the proposed pension bond issue of \$3,950,000 would cover the entire liability.

A question was raised about the discount rate of 5% that was reported on the hearing information sheet. Mr. Meno stated McCready & Keene feels over a twenty-year period that is realistic. Ms. Herndon noted the bond proceeds would be placed into individual retirement accounts and not held by the school corporation.

Ms. Bond noted the tax neutrality was reported differently on the hearing information sheet than the Neutrality Resolution. Ms. Herndon noted another resolution was submitted at a later date that agrees with the hearing information sheet.

Motion: Ms. Johnson made a motion to approve a pension bond issue in the amount of \$3,950,000. Mr. Nemeth seconded the motion, which favorably carried 5-0.

Greencastle Community School Corporation, Putnam County: Officials requested approval of a pension bond issue in the aggregate principal amount of \$3,000,000. The tax rate impact of the bond issue is \$0.0424. The term of the bond is 20 years. The Neutrality Resolution states the Capital Projects fund will be reduced in 2005 to offset the debt.

Present for the hearing was Bob Green, Superintendent; Bob Rund, School Attorney; Lonnie Therber, Therber & Brock and Jane Herndon and Andy Hollenbed, Ice Miller.

Comments: The Superintendent spoke about the proposed pension bond issue. The \$3 million pension bond satisfies the entire liability. A discount rate of 5% was assumed on the actuarial study. Officials worked on this issue for 1½ years and an agreement was reached in December 2003.

Ms. Henson questioned the Rainy Day fund balance of \$1.2 million. The Superintendent said the funds were transferred from the Capital Projects fund. Officials are using some of the funds for a technology project and will use some funds for an HVAC project at the middle school.

Mr. Nemeth questioned why the HVAC project was not done out of the Capital Projects fund in the first place. The Superintendent said they wanted to put funds into a Rainy Day fund when they could see they had a surplus. Ms. Herndon commented this would give officials more flexibility if cash flow became a problem. There were some projects included in the Capital Projects plan that were not time sensitive.

Motion: Mr. Bowen made a motion to approve the pension bond issue in the amount of \$3,000,000 for a term of 20 years. Ms. Johnson seconded the motion. Ms. Henson questioned the difference of figures on pages 1 and 2 of the hearing information sheet. Mr. Therber said that was an error, they should be the same. The motion was called to a vote, which favorably carried 5-0.

Zionsville Community Schools, Boone County: Officials requested approval of a pension bond issue in the aggregate principal amount of \$8,500,000. The tax rate impact of the bond issue is \$0.0517. The term of the bond is 20 years. The hearing information sheet reports the Capital Projects and Transportation funds will be reduced to offset the debt.

Present for the hearing was Dr. Howard Hull, Superintendent; Mike Shafer, Chief Financial Officer; Rod Wilson, City Securities and Tom Peterson, Ice Miller.

Comments: The Chief Financial Officer spoke about the proposed pension bond issue. Officials are requesting an \$8.5 million pension bonds to fund the large unfunded pension liability. They have been involved in several months of negotiations with teachers and an actuarial study was completed by Nyhart Company. An agreement has been ratified by the teachers and the school board. This bond issue will eliminate the unfunded liability.

Ms. Henson questioned the difference between the pension liability costs and the present value listed on page 1 of the hearing information sheet. The CFO explained the \$8.2 million was a result of the actuarial study. Mr. Wilson said the \$8.3 million was a conservative estimate when the hearing information sheet was prepared. He said it appears \$8,203,000 would cover the liability. Ms. Henson asked if the amount of the bond issue could then be reduced and officials preferred the higher amount until agreement final.

Ms. Bond asked if there was a signed agreement and the CFO replied they had an agreement based on the actuarial study.

Mr. Bowen asked for clarification of the fund/funds to be reduced. The CFO replied the resolution states the Capital Projects fund will be reduced. The hearing information sheet reflected the Transportation fund as well, but that was prepared before the resolution was passed.

Mr. Nemeth questioned the 2% discount rate and Mr. Wilson felt that was as valid as the 2.5% other advisers are using. Mr. Nemeth questioned the differences the control board sees with the

present value versus the future value on each pension bond request. Officials explained that depends on the age of the teachers in the school corporation, which has an effect on the negotiations.

Motion: Ms. Henson made a motion to approve the pension bond issue in the amount of \$8,323,300. Mr. Nemeth seconded the motion. Mr. Peterson and Mr. Wilson questioned the amount of the bond issue. Ms. Henson explained she took the \$8.2 million present value and added the financial costs of \$105,300. Mr. Wilson requested the amount of \$8.5 million be left intact for interest costs of the Bond Bank. The motion was called to a vote, which favorably carried 5-0.

East Allen County Schools, Allen County: Officials requested approval of a pension bond issue in the aggregate principal amount of \$8,500,000. The tax rate impact of the bond issue is \$0.0316. The term of the bond is 20 years. The Neutrality Resolution states the Bus Replacement and Capital Projects funds will be reduced in 2005 to offset the debt.

Present for the hearing was Ron Emrick, Chief Financial Officer; J. Timothy McCaulay, School Attorney; Rod Wilson, City Securities and Tom Peterson, Ice Miller.

Comments: The Chief Financial Officer spoke about the proposed pension bond. Officials request an \$8.5 million pension bond issue. The future value of their unfunded liability is around \$17 million, which that amount was decreased through negotiations with teachers.

Mr. McCaulay, school attorney, continued the discussion. The prior plan did not include insurance, which has held down retirement costs. The old plan was replaced with a two-tier plan. Those individuals hired before July 1, 1999 receive a one-time payment into their individual retirement account as well as a percentage paid in each year. Individuals hired after July 1, 1999 receive an initial payment of \$300 per year of service plus the percentage paid in each year.

Ms. Henson asked for the balance in the Rainy Day fund and the use of the fund. The CFO replied the balance was \$2.8 million and they transferred \$1.4 million over two years from the General fund. The Rainy Day fund was established to be used for the same purposes as the General fund.

Motion: Mr. Nemeth made a motion to approve the pension bond in the amount of \$8,500,000 for a term of 20 years. Ms. Johnson seconded the motion, which favorably carried 5-0.

MSD of New Durham Township, LaPorte County: Officials requested approval of a lease rental agreement with maximum annual payments of \$990,000 for 18 years. Total project costs are \$1,860,000. Officials report there will be no tax rate impact associated with this project as existing debt is to be paid off. DLGF staff calculated a tax rate impact of \$0.0646 based on the first year repayment amount of \$103,000. No new facility appeal is planned for this project. Common construction wage information was in order. The issue fell below the threshold for a petition and remonstrance process.

Present for the hearing was Richard Cook, Acting Superintendent; Jim Elizondo, City Securities and Tom Peterson, Ice Miller.

Project: At Westville Elementary School, fourteen (14) classrooms will be renovated. The renovation will include improvements to the HVAC system, electrical system, casework, drywall bullheads, acoustic ceiling tiles, paint and carpet. Project costs are \$287,696.

At Westville Middle/High School, thirteen (13) classrooms will be renovated. The renovation will include improvements to the HVAC system, electrical system, fire sprinkler system, casework, drywall bulkheads, acoustic ceiling tiles, paint and carpet. Project costs are \$852,230.

The outdoor physical education additions at Westville Middle/High School will include a baseball diamond, a soccer field, parking lot, drainage/retention pond and perimeter fencing. The existing baseball diamond will be converted to a softball diamond. Project costs are \$548,911.

Comments: The acting Superintendent spoke about the project. They are located in Westville and have one building, a K-12 facility. The previous Superintendent came before the control board a couple of years ago with another project. This project is for \$1.86 million to complete the installation of HVAC in the instructional area, replace carpet and some improvements to the outside physical education facilities. There was no remonstrance filed against the project or any negative comments heard at the public meetings. There have been several articles in the newspaper discussing the project.

Ms. Johnson asked what the school board vote was at the lease hearing and the acting Superintendent replied 5 to 0.

Ms. Bond asked if portable classrooms were being used. The acting Superintendent said they did have some, but the last project added sufficient space so they are no longer needed. Ms. Bond asked if the portables were gone and the acting Superintendent said all but one and it is currently being used for storage.

Mr. Nemeth asked when the last project was approved and how much it was. The acting Superintendent said he thought it was around \$10 million and had been approved around 4 years ago.

Motion: Ms. Johnson made a motion to approve the lease rental agreement with maximum annual payments of \$990,000 for 18 years. Mr. Bowen seconded the motion, which favorably carried 5-0.

Adjournment: There was no further business to discuss and the meeting was adjourned.